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Love, Stephen Hunter

An address

[Colorado Springs]

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An Address

By

Stephen H. Love

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Box 139



The President's Address delivered at the
Annual Meeting of the
United States Sugar Manufacturers' Association
Colorado Springs, June 12, 1923

Ch 6 of 29, 1923

PRESIDENT'S ADDRESS

THE past twelve month period has been rather a turbulent one in sugar circles—possibly one of the most difficult to analyze that those considered expert in the sugar trade have ever experienced. For example, on the first of May a year ago there was more than a million tons of the 1921 Cuban crop unsold and the 1922 estimated crop of approximately 4,000,000 tons was pressing on the market. In addition, there remained on hand for distribution nearly 5,000,000 bags of beet and a relative amount of domestic cane sugar.

To dispose of this abnormal quantity of sugar before another crop was ready for the market appeared to be a Herculean task. It was known, of course, that the consumption in most of the large countries of the world was on the increase, but it was inconceivable that it would reach sufficient proportions to absorb this enormous aggregate. However, early in January, 1923, when Cuba's new crop of sugar appeared on the market, all of the 1922 carryover, together with our domestic surplus, had been disposed of, as well as a larger percentage than usual of the new beet crop.

From the best figures that we can obtain, it is apparent that the users of sugar in the United States during the year 1922 actually purchased, and, so far as we know, consumed more than 5,000,000 tons of sugar, or an increase over previous years of more than 20 per cent.

In addition, Europe increased her purchases of refined sugar country over the previous year very materially.

Many and various are the reasons assigned for the increase in the consumption of sugar, not only in America, but abroad. The most notable of these, so far as this country is concerned, is Prohibition. Personally, I should say that a combination of causes would come nearer being right than to attribute the increase to any one particular thing. By way of illustration, it must be conceded that the extraordinary fruit crop of last season, together with the exceedingly low prices prevailing for sugar, were two of the most potent factors responsible for the remarkable demand in the United States. The consumption in Europe, while way below pre-war records, exceeded the previous year's requirements to quite an extent, as shown by the exports of refined. That Prohibition has increased the consumption of sugar in this country no one will deny, but to what extent we cannot definitely say since accurate figures are unobtainable.

Statistical Position Strong

With respect to the demands on production for the current year;—Early in January "Facts About Sugar" wired a number of sugar men actively connected with various branches of the industry for expressions of their views as to the then existing situation and the outlook for the future. Most of them, as indicated by their replies, foresaw the present situation and, in effect, said:

"Statistically, sugar appears to occupy a position of unusual strength. Supplies of cane and beet sugar available for the year's requirements are 1,250,000 tons less than the prospective supply a year ago. The European

demand may be less than it was during 1922, but the generally improved business situation throughout this country demanding full employment of labor warrants the belief that more sugar will be consumed in the United States than in previous years. Invisible supplies in the hands of the trade are admittedly low, and these two conditions justify the conclusion that the average price for sugar will be above the level prevailing at this time."

Such forecasts and observations made by those in a position to have known the facts and circulated extensively among the dealers and handlers of sugar are proof positive that so far as these experienced observers were concerned they cannot be charged with an attempt to mislead the public, or with helping to produce a "runaway" market, as, unfortunately, many uninformed people imagine.

The officers of your Association have consistently tried to keep the public advised about the real sugar situation as it appeared to us. We know that the world's production in 1922 was considerably less than figures showed the consumption to be, hence higher prices, under the inexorable law of supply and demand, were inevitable.

Unfortunately, in continental United States, because of the low figure previously prevailing for our product, (averaging for the previous year approximately only five cents net per lb.) and the consequent inability of the beet sugar producers to pay a reasonable price to the farmers for their beets, our production dropped from 20,409,000-100 lb. bags in 1921-22 to 13,494,000 bags in 1922-23, and apparently for like rea-

sons, the cane sugar crop in Louisiana and Texas was reduced from 327,699 to 241,920 short tons.

These figures do not present a very healthy or encouraging situation in domestic sugar circles, but owing to the propaganda that is continually going on for the elimination of the tariff, and the consequent destruction of the American sugar producer as a competitor, it is impossible to stabilize the business or increase production materially. This is particularly true of the beet sugar industry, notwithstanding its value to the consumer of sugar, as well as to the grower of beets.

Importance of Beet Sugar Industry

At this point it may not be out of place to mention some of the advantages that the growing of the sugar beet offers to the farmer who is fortunate enough to be located in a section of the country where the beet sugar industry is, or can be, established. Farmers generally over the country are complaining about the high cost of moving their products to the markets, and the solving of this problem is being given the gravest consideration, not only by the farmer and the carrier, but by the nation's law-makers as well. Let me cite a case in point: The State of Idaho suffers from this cause perhaps as much as any state, and is obliged to pay in freight charges on the tonnage of one acre of potatoes from the Twin Falls district to Chicago, under freight rates now in effect, nearly \$100.00 yearly, and at least \$50.00 to move a season's yield from an acre of alfalfa. Now in comparison, let me point out that the product of an acre of sugar beets

(2,500 lbs. of Fine Granulated Sugar) can be moved to the same point for only \$17.50.

From this showing one might be led to imagine that the transportation companies would be more interested in moving alfalfa and potatoes to the market than in moving sugar, but that is not true. In the wake of the raising of sugar beets naturally follows the building of factories and towns, and more intensified farming—all of which adds to the business of the railroads; in fact, the actual revenue obtained by the carrier in the aggregate from the production of an acre of sugar beets exceeds, in my opinion, that of any other agricultural product.

Another feature: It is becoming apparent to those who are giving thoughtful consideration to the welfare of agricultural pursuits throughout the country that the growing of products of the soil that take from it its natural fertility without replacement is a serious matter and one that must be reckoned with in the near future. However, this problem is easy to solve wherever it is practicable to raise sugar beets. Beets do not impoverish the land, but instead they actually add to its fertility, and are one of the best and most profitable rotating crops known to farmers.

Ever Recurring Tariff Problem

The most perplexing problem confronting the producers of domestic sugar from time to time is the fluctuation in the price, which designing persons always attribute to the changes in tariff rates imposed by the government. Why is it that the American

public, ordinarily well-versed in economics, is so easily misled by the propagandist to believe that any advance in the price of sugar, regardless of whether it is a few cents or three or four dollars, is chargeable to the tariff? Why does it not apply the same argument to cotton, wool, print cloth, or other staple commodities (and their name is legion), that have advanced proportionately more in price since the pre-war period? To illustrate, since 1913 cotton has advanced 139.7%, yellow pine 157.9%, pig iron 105.1%, linseed oil 126.3%, anthracite coal 118.8%, wool 140.7%, silk 147.5%, beans 112%, print cloth 140%, and sugar 107.7%. Yet, so far as I have been able to observe, no charge has been made that the increases in the prices of any of the above commodities are chargeable to the tariff—sugar is the sole exception. It is fair to assume that, at least on some of those items, greater advances in the rates of duty were made under the provisions of the Fordney-McCumber bill than on sugar, which was only advanced sixteen cents per cwt.

Now, lest I may be misunderstood, this statement is not to be considered as an argument in support of the present price of sugar. So far as the beet sugar producers are concerned, we were not in any way responsible for the advance. The bulk of our sugar was sold before the market exceeded 6½ cents, hence our producers have not extensively participated in high prices and without attempting to justify the prevailing quotations, I am constrained to mention one prominent authority who recently said:

"Sugar, even at its present cost, is cheaper than almost any article of our diet. The

amount of bodily energy measured in calories that can be derived from a pound of sugar cannot be duplicated for the same expenditure in bread, meat, vegetables, or fruits. Milk, butter, eggs, fish, and fowl are all from one and a half to four or five times as expensive at current prices, judged by this standard. The average consumer may not have figured this out with a table of food values before him, but he realizes instinctively that sugar is still a cheap food and one of the least burdensome items in the household budget."

The position of the beet sugar producers, especially with respect to the tariff, may be stated in brief as follows:

"The production of beet sugar is essentially an agricultural industry, and if the farmer is to receive a fair return from the production of beets and the factory a reasonable profit on money invested, sufficient protection should be extended by Congress to represent the difference between the cost of sugar produced from beets grown on American farms and cane sugar refined from raws obtained from countries where exceptionally low labor and other costs prevail. We insist that the present tariff of \$1.76½, which, by the way, is the lowest by long odds exacted by any of the large nations, is less than the primary difference in the costs of the two products. However, since Congress has passed judgment upon the present rates, we have acquiesced in their decision and are doing everything in our power to perpetuate the industry and increase the production of domestic sugar with the view of eventually relieving the people of the United States from the strangle-hold

which foreign producers now have on the major portion of their supply of sugar."

So far as the American people themselves are concerned, we feel sure that when the facts are made plain they will support the position which we take. The agitation for the reduction of the tariff has not emanated from them, but from an association of producers and refiners of foreign sugars, particularly that grown in Cuba, who are desirous of exploiting the American market for their own benefit.

Pernicious Propaganda

In their most recent attempt to camouflage the real issue, their propaganda has been disseminated under the caption: "United States Sugar Association," a name almost identical with our own, and by this attempt to steal our corporate name the depths of perfidy to which that organization will go in order to attain its ends is shown. Because of this action we felt obliged to file a complaint with the Federal Trade Commission as a means of revealing the motives for these attacks. We have told the Commission that prior to the establishment of the domestic beet sugar industry (excepting the small quantity of Louisiana raws) every pound of sugar consumed by the American people paid tribute to the seaboard refiners, and that, consequently, these refiners are doing everything possible to prevent the further expansion of the domestic industry both in continental United States and in our insular possessions.

In this complaint we have also pointed out the value of the domestic sugar industry to the United States as compared with the simple refining process of our enemies, who merely pass foreign raw sugars through their laundries removing the impurities at a cost so trivial in comparison with that of producing beet sugar that its value industrially is relatively small. It was disclosed in a Congressional hearing some years ago that the total amount of money expended by the refiner in bleaching one ton of imported sugar amounted to less than one-half cent per pound, or, to be exact, \$6.72 a ton. Refining costs, of course, have advanced since that time, but even if they have more than doubled, they do not compare in any sense with the amount of money expended for sugar produced from beets.

For example, under our present partnership contract with the farmers, beets alone (provided the current price prevails until the sugar produced therefrom is sold), will cost an average over the country of at least \$60.00 per ton of sugar, to which must be added for factory and other costs a like amount, making the total money distributed through the channels of trade in this country many times greater than that expended for the refining of foreign sugars.

Of course, these facts are common knowledge to you gentlemen, hence it is unnecessary for me to continue along this line, but I am wondering whether the United States Sugar Association is not liable under Section 316 of the Administrative provisions of the Tariff Act of 1922 for its attempts to harass and cripple

ple a competitor. The section of the law to which I refer provides:

"That unfair methods of competition * * * the effect or tendency of which is to destroy or substantially injure an industry * * * or to prevent the establishment of such an industry * * * are declared unlawful, and when found by the President to exist, shall be dealt with, etc., etc."

Now I would not say, or claim, that the acts of this mis-named sugar association in its attempts to cripple the domestic sugar production would be sufficient grounds for penalizing all shipments of sugar from Cuba. I do say, however, that it was this same organization (before the ink was dry on the Fordney-McCumber bill), which made application to the Tariff Commission for a decrease in the rate of duty on Cuban sugar, and as a result of that complaint, the press of the country has been flooded with printed matter manifestly designed to seriously injure the domestic sugar industry and prevent its further development, all of which, to my mind, is unlawful under the provisions of the law above cited.

Activity Urged

The time has come when we should place the responsibility for the sugar situation where it belongs, and by every legitimate means at our command, make our position plain with the end in view that right-minded people everywhere cannot fail to understand that dependence upon a foreign country for any household necessity is mighty poor business and should not

be tolerated longer than necessary. So far as sugar is concerned, the only way, as I see it, to accomplish this would be to safeguard the domestic sugar industry until such time as it dominates the American market.

Conclusion

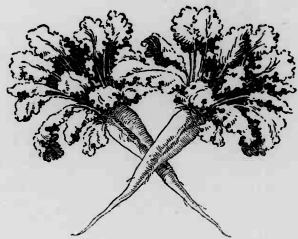
In conclusion, permit me to suggest the idea that the producers of domestic sugar, both in continental United States and in our insular possessions, have been altogether too passive and indifferent to the anti-tariff propaganda that has been disseminated against their interests, and have failed to inform the people of the real motives prompting the agitation. To my mind, the people of this country are, in the final analysis, as deeply concerned in the maintenance of this great American industry as the producers can possibly be, having all learned from bitter experience that whenever stocks of domestic sugar are about to become exhausted, heavy toll in the shape of advanced prices is immediately exacted by holders of foreign sugar, costing the American public sums of money so vast that the total amount paid in tariff duties on sugar in comparison fades into insignificance.

The recent agitation to boycott sugar, however well-intentioned, will not bring about the result desired. The word "boycott" is un-American and does not measure up to the ideals of our people. A conservative move, legitimately launched, to prevent hoarding and limit the purchasers to actual current needs is always advisable when there is a scarcity of any food com-

modity, but any frenzied agitation which enlists the support of a certain class of people who delight in getting themselves in the limelight should be discouraged for the reason that such movements are always ineffective and the usual results therefrom are disappointing.

During the war, with all the regulations imposed by the government, the consumption of sugar in the United States was only reduced approximately five per cent. If under the stress of war conditions the American consuming public was not induced to curb their desire for sugar to any appreciable extent, surely in these times of general prosperity throughout the country little curtailment of consumption can be expected.

In view of this situation, it is apparent to those well-versed in sugar economics that the present level of prices is very likely to be maintained, if not advanced, until relieved by the new crop of beet sugar that will be available in October and November of this year.



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